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of 10 per cent of the fee income reckoned at standard rates be considered as legitimate expenditure for the purpose of assessing the grant that might be paid to a school, provided that the scheme for the award of scholarships or fee concessions has received the approval of the Director of Public Instruction."

2. In paragraph 7 (i) of G.O. No. 112, Home (Education), dated 25th January 1919, the desirability of adopting the resolution was remitted to the Director of Public Instruction for further consideration in the light of the remarks made therein. The Director has since favoured Government with his view in the matter and, after giving very careful consideration to the question, the Government have decided that effect should be given to the resolution, in view chiefly of bringing about some measure of decentralization in the matter of the award of scholarships. The Director of Public Instruction is requested to submit for the approval of Government a draft of the necessary amendments to the Grant-in-Aid Code.

(By order of the Government, Ministry of Education)

P. C. DUTT,

*Acting Secretary to Government.*

To the Director of Public Instruction.

" Accountant-General (through the Finance Department).

" Local Self-Government Department.

" Commissioner of Labour.

" Publicity Officer.

#### APPENDIX D.

[Vide answer to question No. 861 asked by Rao Bahadur T. A. Ramalinga Chettiyar at the meeting of the Legislative Council held on the 12th March 1928, page 2116 supra.]

#### REPORT.

The objects of our deputation were to enquire into the temperance measures introduced in Bombay, Bengal and the United Provinces, namely, the surcharge system in Bengal and the United Provinces, the Excise Licensing Boards in the United Provinces and the rationing system in Bombay.

##### *I. Surcharge system.*

This is one of the methods adopted for the disposal of the right of retail sale of liquor and drugs. The system hitherto in force throughout the larger part of India was the auction system under which the right of vend was sold in public auction to the highest bidder. Various objections have been taken to the auction system. These were recognised by the Excise Committee of 1905-06 and in their report they suggested the trial of the surcharge system as an alternative to the auction system. The surcharge system as suggested by the Excise Committee was the levy of fees for the privilege of retail vend by fixed extra payments on each gallon of

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liquor sold in addition to the duty. The Government of India however did not approve of this recommendation of the Excise Committee and as a consequence no general steps were taken towards the abolition of the auction system. The Bombay Government however in 1909 introduced the fixed fee system under which renters were chosen and the right of vend was disposed of in return for an annual payment of a fixed sum. This sum was arrived at on the basis of the sales of previous years. This system called the fixed fee system was in force in Bombay for seven years and was abolished as unsuitable in 1918. Meanwhile an improved surcharge system had been introduced in certain districts of Bengal in 1916-17. According to this system, which will be hereafter referred to as the Bengal system, the fee levied on each gallon of liquor sold is not fixed but is graduated so as to rise with increase in consumption. This Bengal system has received general approval in that province and with effect from the beginning of the present financial year, i.e., from April 1922, has been adopted throughout that Presidency.

2. The essential features of this Bengal system are these:—

Vendors are selected by Collectors on the advice of the Excise department and a scale of monthly licence fees is laid down by the Central office in such a way that the fees payable each month vary in proportion with the sales in the shop in the previous month. The method of arriving at this scale of fees is somewhat complicated and must be explained at length.

3. The first step is to fix the retail selling price of each kind of liquor or drug. This is done separately for different localities, the prices being somewhat higher in industrial areas and large cities. The next step is to ascertain the total margin of possible profit to be obtained on each gallon of liquor sold. This is arrived at by deducting from the retail selling price of each gallon the sum of the duty and the cost of supply of each gallon. The third step is to make an estimate of the reasonable profit per gallon which should be obtained by the renter of each shop. This reasonable profit is arrived at from the experience of past years and the general run of traders' profits in the locality. Having arrived at the total margin of profit and the reasonable profit which the renter should obtain per gallon, the profit per gallon is divided between the renter and the Government in such a way that the Government's share of profit increases with increasing consumption while the vendor's share decreases with increasing consumption.

4. An illustration will perhaps make the above method clear. Let us assume that the retail selling price of country spirit is fixed



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by Government at Rs. 13-8-0 per gallon : assume too that the duty is Rs. 6-10-0 and the cost of supply from the distillery Rs. 1-4-6. The total cost price of liquor is thus seen to be Rs. 7-14-6 (Rs. 6-10-0 duty plus Rs. 1-4-6 cost of supply). The retail selling price being Rs. 13-8-0, there is left a margin of profit of Rs. 5-9-6 (Rs. 13-8-0 selling price minus Rs. 7-14-6 total cost) or Rs. 5.59 which is to be divided between Government and the seller. For the purpose of arriving at the reasonable profit to which the seller is entitled, it is assumed that a retail shop-keeper selling ten gallons a month is reasonably entitled to get a profit of Rs. 40 or Rs. 4 per gallon. In such a case the total margin of profit on the ten gallons is Rs. 55.9. Of this the renter is to get Rs. 40, the balance of Rs. 15.9 going to Government. This is collected by fixing the fee payable for a shop selling ten gallons at a round sum of Rs. 15. Similarly if the shop sells twenty gallons, the total profits will be Rs. 111-8-0. Assuming that the renter should make a profit of Rs. 60 or Rs. 3 per gallon, the balance is Rs. 51-8-0. The fee for a shop selling twenty gallons is therefore fixed at the round sum of Rs. 51. In fixing the seller's share of the margin of profit, it is taken for granted under this system that the licensee of a big shop selling say 1,000 gallons of country spirit per month is entitled to get only a smaller proportion of the margin of profit than the licensee of a small shop selling ten gallons per month. On the basis of these assumptions, tables showing the graduated scales of licence fees to be paid by the licensees in each locality are prepared in the central office and supplied to officers in charge of the shops. The licence fees payable on the sales of each month are collected early in the following month. An extract from such a table for one of the United Provinces districts is given below :—

| Quantity of liquor sold. |    |    |    | Vendor's profit<br>per gallon. | Government's<br>profit<br>per gallon. | Licence fee. |
|--------------------------|----|----|----|--------------------------------|---------------------------------------|--------------|
|                          |    |    |    | RS.                            | RS.                                   | RS.          |
| 10 gallons               | .. | .. | .. | 4                              | 1.59                                  | 15           |
| 20 "                     | .. | .. | .. | 3                              | 2.59                                  | 51           |
| 30 "                     | .. | .. | .. | 2.66                           | 2.93                                  | 87           |
| 100 "                    | .. | .. | .. | 1.70                           | 3.89                                  | 389          |
| 200 "                    | .. | .. | .. | 1.35                           | 4.24                                  | 848          |
| 300 "                    | .. | .. | .. | 1.23                           | 4.36                                  | 1,308        |
| 500 "                    | .. | .. | .. | 0.94                           | 4.65                                  | 2,325        |
| 1,000 "                  | .. | .. | .. | 0.72                           | 4.87                                  | 4,870        |

A glance at the above table will clearly indicate the fundamental feature of the system, i.e.; the Government's share of the profit per gallon increases with increasing consumption while the vendor's profit per gallon decreases.

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The advantages claimed for these surcharge system are—

- (1) It eliminates the gambling element from the trade and makes the vendors' profit more definite and less subject to risk.
- (2) It therefore tends to secure a better class of licensees.
- (3) It lessens the motives for malpractices.
- (4) It enables Government to keep a close control over consumption.
- (5) It facilitates the framing of the budget.
- (6) It secures the maximum revenue to Government.

5. We propose now to examine briefly these claims on behalf of the Bengal surcharge system—

*Item No. 1.*—Under the auction system the renter has no means of knowing the sales exactly. He may be forced to bid too high for a shop and may thus incur serious loss; whereas under the surcharge system he need venture no capital at all but makes his definite profit per gallon of liquor sold while he runs no risk of losing any substantial sum. From the renter's point of view, no doubt it is true that it subjects him to no risk whatever and ensures to him a certain amount of profit though the average profit may be reduced as the sales increase in his shop. Intrinsically considered, we do not see any serious objection to the existence of a certain amount of risk in the liquor trade as in all other trades. Under the auction system the bidder, like any other businessman, has to take a certain amount of risk and there is no reason to suppose that the licensee under that system bids in the auction without taking into account the risks incidental to the trade and making due allowance for such risks. He, like any other businessman, is naturally expected to know the nature of the transaction into which he enters.

*Item No. 2.*—With regard to the second point, it seems to be true in Bengal that a better class of licensees is now being obtained at least in the opium shops. In two shops which we visited in Calcutta, the vendors were graduates. In one shop in the United Provinces the vendor was a retired tahsildar and graduate, while in another he was a respectable Muhammadan of some education. The Bengal surcharge system, as it does not require the possession of a large capital, has enabled such men as these to enter the trade. They could not have done so under the auction system, for they would have had to bind themselves to pay large rentals without there being any good security that they would recover their outlay. Still, with the exception of these stray cases, there does not seem to have been any great change in the class of renters. As a rule those who held shops under the auction system still continue to be the licensees under the Bengal surcharge system.



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*Item No. 3.*—We agree that there is some force in the contention that the Bengal system *lessens* the motive for malpractices. Take the case of sales after hours. If a man has secured a shop under the auction system at a fixed rent, the profits from sales he effects after hours go entirely into his own pocket, whereas under the Bengal system his profits per gallon decrease as his sales increase, and he therefore does not gain so large a profit on additional sales as he does under the auction system. But we hold that the surcharge system by no means eliminates the danger of malpractices. They may occur under any system if the shops are not properly supervised.

*Item No. 4.*—Government's control over consumption under the Bengal system is exercised by the power which they reserve to themselves to increase the selling price and the duty at any time throughout the year. If in the course of the year the Commissioner discovers that consumption in any locality is increasing, he can immediately issue orders that the selling price and duty in that area should be raised. Now Government possess exactly similar powers under the auction system in that they can automatically put prices up by increasing the duty. But the difference is that that power can only be exercised prior to the commencement of the lease, i.e., once a year, whereas under the surcharge system it can be exercised at any time throughout the year. We were informed in Calcutta that the power of raising retail prices has already been exercised no less than five times: for instance, in the districts of Howrah and Hooghli it was exercised twice in the course of the first year in which the Bengal system was in operation.

*Item No. 5.*—With regard to the fifth point, it is alleged that, under the auction system, Government have no means of foretelling the revenue accurately as it depends on the bids which may be received at auction, whereas under the Bengal system Government will know definitely what revenue they will obtain from any given consumption and therefore are able to forecast their budget with greater certainty. We would point out, however, that under any scientific system, the revenue ought to depend more on the duty levied on the liquor than on the fees collected for the right of vend. The income from duty must necessarily depend on the quantity consumed which in its turn naturally depends on varying seasons of prosperity. We are therefore of opinion that while the Bengal system eliminates any uncertainty due to combination among bidders at the auction, it cannot eliminate the primal uncertainty due to variations in the quantity consumed.

*Item No. 6.*—As regards the last point, namely, that the Bengal system secures the maximum revenue to Government, it is true

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that since the introduction of the surcharge system the Excise revenue of Bengal has tended to increase. The total Provincial Revenue from Excise is shown in the statement below :—

| Year.   | RS.             | Year.   | RS.             |
|---------|-----------------|---------|-----------------|
| 1912-13 | ... 1,37,59,157 | 1917-18 | ... 1,56,25,391 |
| 1913-14 | ... 1,53,88,017 | 1918-19 | ... 1,76,38,246 |
| 1914-15 | ... 1,53,59,916 | 1919-20 | ... 1,81,08,448 |
| 1915-16 | ... 1,51,30,570 | 1920-21 | ... 1,96,23,317 |
| 1916-17 | ... 1,44,07,668 | 1921-22 | ... 1,83,48,896 |

But this increase may well be due to other causes, for instance, the breakdown of the monopolistic combinations which were a prominent feature of the auction system in Bengal and which were in no small measure responsible for depriving Government of their due share of the profits from the trade. The increase in revenue may also be due to increased incidence of taxation. It may be noted here that even with the recent increase of duty in Bengal the incidence of taxation in that province is lower than in Madras, being for the year 1920-21 Rs. 11-11-9 per proof gallon in Bengal as against Rs. 13-5-5 in Madras. Or again the increase in the staff in recent years may have contributed to this increase in revenue. We are therefore inclined to believe that, without having recourse to any arbitrary method of dividing the marginal profit between Government and the vendor, the action of the law of supply and demand, if left to itself, will in the end secure to each party—the Government and the vendors—their due share of the profit.

6. Having examined the advantages claimed for the Bengal system, we shall now indicate what we consider to be some of its prominent defects and limitations—

(1) The surcharge system depends for its efficient working on the rigid enforcement of the fixed selling price. Unless that is done, the fair profits due to the renter and Government cannot be apportioned and consumption cannot be controlled. We are disposed to doubt the claim made by the officials of the United Provinces and Bengal that they have so far succeeded in enforcing sales at prices fixed by them. It is contended that, as the sale price is prominently displayed in every shop and as trial purchases are made periodically on behalf of the department, there is no possibility of a shop-keeper selling drink except at the fixed price. But we would point out that the past experience of all Governments has shown that it is well nigh impossible to enforce with any measure of success the retail selling price of any commodity. During the war Government constantly attempted to control retail selling prices: for instance, in the case of kerosene oil. We believe that the experience was that those prices were never rigidly maintained. The difficulty of



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enforcing a standard price is enhanced in the case of liquor by the facility which it affords for the resort to dilution and the use of short measures and the shop-keepers' success in adopting those devices will depend on the strength of the demand.

(2) The Bengal system involves the selection of the renters by the agency of officials as in Bengal or of a non-official body as in the United Provinces. It thus loses the great advantage of the auction system under which the renters are selected automatically in a public auction leaving no room for imputation of favouritism or corruption. In Bengal the vendors have hitherto been selected by the Collector on the advice of the Excise officials. We cannot regard that method as satisfactory. Imputations against the honesty of Excise officials are already only too common and the vesting of the power of selecting renters will only supply an additional motive to the licensees to corrupt these officials. In the United Provinces it is intended that the selection of renters should in future be made by the licensing boards in towns where these have been created. Elsewhere selection is to be made by Collectors. As the licensing boards were not brought into being until after the renters for the current lease had been chosen, their power of selection has hitherto not been exercised. It is therefore not yet possible to draw any conclusion as to the advisability of entrusting to such boards the power of selecting licensees. With regard to Collectors in places where there are no licensing boards, rules are now being drawn up by the Government of the United Provinces laying down the manner in which Collectors shall exercise this power. In general the rule will be that the existing licensee is to be continued unless there is clear evidence that he has proved unsatisfactory. Should there be a vacancy either through the death of an existing licensee or the closure of some shops, the Excise Commissioner of the United Provinces proposes that the Collector shall be compelled to select from the various applicants by drawing lots in his public office. We cannot but regard this method as the negation of all Governments. One man must be better than another and for Government to choose between these by invoking the hand of fate will amount to an abdication of its legitimate functions.

(3) Thirdly there can be no doubt that in course of time the Bengal system must give rise to the creation of vested interests which will throw an obstacle in the way of temperance reform. In general the rule that an existing licensee should continue will be enforced. If such a licensee holds a shop for any length of time, it is certain that he will raise objections to its closure on the ground that it is depriving him of his means of livelihood. Such vested interests have not hitherto existed in India and it has been one of the strongest points in Government's favour that they were able

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to close shops as they saw fit without a hue and cry being raised by the trade. It is contended in Bengal and the United Provinces that the claim to vested interests cannot arise because it is clearly laid down in the licence condition that the privilege of vend is only granted for one year at a time. But we feel certain that this proviso will prove insufficient in a few years. A similar condition has existed in other countries. Yet it has never sufficed to prevent the growth of public sentiment in favour of the continuation of an existing licence. For instance, in Scotland it is clearly laid down that licences will only be attached to a particular building for a period of one year at a time. Yet the Quarter Sessions have in several cases reversed the decision of Magistrates when they deprived a vendor of his licence in the absence of misconduct on his part. We believe that, whatever may be the written law, the sympathy of the public will be on the side of the renter who is threatened with the deprivation of his means of livelihood and a serious obstacle will thereby be placed in the path of temperance reform.

(4) Fourthly we believe that under the surcharge system Government will lose the powerful aid of the existing shopkeepers as a preventive force. It is well-known that offences against the excise laws are hard to detect because as a rule it is nobody's interest to give information to Government officers. If a robbery or an ordinary crime under the Penal Code is committed, there is usually some individual who suffers and he rushes to lay a complaint against the offender. In excise matters the only person who suffers is the licensed vendor in the locality. He is the only outsider from whom Government officials can expect to receive any information of the commission of excise offences. Under the auction system the interest of the local vendor is *at its maximum*. He has paid a fixed price, possibly a high one, for the privilege of retailing liquor in that locality. His profits depend on his sales. If illicit distillation or sale occurs in that locality, his profits are immediately reduced. It is therefore to his interest to see that all the liquor sold in the locality is licit and that it comes from his shop. Under the Bengal system, on the other hand, the renter has not paid any fixed sum for the privilege of sale. He has to pay so much per gallon sold and his profits on each gallon sold decrease as his sales increase. While we admit that he always retains some profit on sales, we contend that as his profits diminish with increasing sales, he is very little interested in ensuring that the sales in his locality are only from his shop. It does not matter so much to him whether illicit liquor is made and consumed near his shop and he has therefore very little inducement to give information to Government. The surcharge system thus is likely to lead to an increase in illicit practices.



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7. To sum up, we regard the surcharge system as a clever and useful administrative measure. It is an attempt at the scientific application of the law of diminishing returns to the renters' profits, but the point at which the diminishing return actually operates is never reached in practice, for in all the scales hitherto applied the renter still retains some amount of profit on every gallon sold. It is impossible yet to say what effect it has had in the United Provinces, as it has only been in general operation there for six months. But the impression we gathered was that there is a considerable amount of illicit distillation in that province. The staff seems to be quite insufficient to cope with excise crime. In Bengal, however, there is undoubtedly a general consensus of opinion in favour of the surcharge system, both among officials of the department, licensees and temperance reformers and it seems to be certain that the excise administration in that province has improved enormously in the course of the last few years. But we are inclined to think that this improvement is very largely due to the more effective control exercised by a greatly increased staff. Before 1915 the staff consisted of a Commissioner, one Assistant Commissioner, eight Special Excise Deputy Collectors, one gazetted superintendent, two non-gazetted superintendents, 27 inspectors, 151 sub-inspectors, 41 petty officers and 563 peons. The existing staff consist of a Commissioner, three Deputy Commissioners, 30 superintendents, 58 permanent and 4 temporary inspectors, 257 sub-inspectors and 123 permanent and 22 temporary petty officers and 950 permanent and 16 temporary peons. There can be no doubt that this large increase in staff has made for more efficient administration and that many of the benefits claimed for the surcharge system are really due to this improved administration. We do not regard the surcharge system as a strong measure of temperance reform. From the purely temperance point of view, it seems to differ very little from the Madras system. Under both systems the consumption is sought to be controlled by forcing up prices through the steady pressure of taxation. Indeed even under the auction system, as was pointed out above, the incidence of taxation in Madras has already reached a higher level than in Bengal. The only advantage the surcharge system possesses from the temperance point of view is that it enables Government to exercise a tighter hold over consumption. For if consumption rises in the course of the year it can be checked within a short space of time by raising the duty and the retail selling price. In Madras once the shops have been sold in auction, the duty cannot be raised nor any other restrictions imposed until the close of the year, while under the surcharge system this can be done at any point in the course of the year. But on the whole we do not consider that this comparatively slight advantage compensates for

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the dangers of creating vested interests and of putting the power of selecting vendors in the hands either of officials or of a non-official body. Our opinion is that the surcharge system need not be introduced in Madras until signs are clear that the auction system is breaking up. There appears to be no doubt that its introduction in Bengal and the United Provinces was due to the breakdown of the auction system there. In Bengal the monopolistic combinations among renters appear in some places to have obtained enormous power, while in others auctions had got out of control and led to constant reckless bidding and the consequent ruination of many renters and great loss to Government. In the United Provinces the surcharge system seems to have been the direct aftermath of the non-co-operation movement which had in that province attained great strength and put auctions out of the question. The excise officials were convinced that if they had attempted to hold auctions about January and February 1922, they would have failed to secure any bids at all. In short we regard the Bengal system more as a fiscal than a temperance measure and therefore until there are signs of disruption of the auction system in Madras, we see no sufficient reason for its introduction in this Presidency.

## *II. Excise Licensing Boards.*

Besides adopting the Bengal surcharge system, the Government of the United Provinces have in their Resolution No. C. 1383/XIII-65, dated the 10th March 1922, created excise licensing boards in all municipalities which are divisional headquarters or have a population of 50,000 or over. These licensing boards are entirely non-official in character with the exception of the local Excise Assistant Commissioner as Secretary. They consist of two members elected by the municipal board, one member elected by the principals of colleges and headmasters of high schools in the city, such colleges and high schools being recognized by a University established by law or by an Educational department of Government; one member nominated by temperance societies registered under the law in city: if the societies nominate more than one person the district officers should choose one from among them: if the societies fail to nominate a representative or if there is no registered temperance society in the city, the district officer should appoint a person to represent the interests of temperance, one member from the labouring classes to be appointed by the Collector and one member representing the excise trade elected by the local excise licensees. The Board is to elect its own Chairman. It holds office for a period of three years. Its functions are in the main the same as those of the advisory committees in Madras, i.e., to fix the number and location of shops, with the important change that the Board's decisions are final except



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that Government may cancel them on the motion of the Excise Commissioner. As regards the power to reduce the number of shops; the Board's discretion is limited by the rule that it may not during its term of three years' office reduce the number of shops existing on the day when it came into office by more than one-third of each kind of shop and that the number shall not be reducable by any succeeding licensing board to a lower figure than one-third of the number existing when such Boards were constituted. In addition to these powers, the Licensing Boards have one more important power which the Madras Excise Advisory Committees do not possess at all, namely, the power to select licensees. Government have left this power entirely at the discretion of the Board but they have suggested that in the absence of proved misconduct, the Board should adopt the practice of continuing the existing licensees. The right of appeal to the Excise Commissioner against the decision of the Board is given to an existing licensee whose licence has not been renewed. If the Excise Commissioner differs from the view held by the Board, he may refer the matter to Government. If he agrees with the Board, the licensee has no further appeal. This right of appeal only applies in the case of ejected licensees. An unsuccessful applicant for a new shop has no appeal whatever.

2. These Boards have only been in existence for six months and it is not yet possible to express any definite opinion as regards their working. Many of them have only held one or two meetings since their creation. The important power of selecting licensees was not exercised at all in the case of the numerous country liquor, drug and opium shops, as the licensees had already been selected by the revenue officers for the current lease prior to the creation of the Boards. But this power has been exercised in the case of toddy shops granted under the new lease which began on 1st October. As already explained the Government's instructions require that the existing licensees should be continued in the absence of good cause to the contrary. These instructions have been carried out by the Boards in the majority of cases though we were informed that there had been numerous appeals against the decisions of the Board by displaced toddy renters. Final orders on most of these appeals have not yet been passed. In the majority of cases the Commissioner had upheld the decision of the Boards but he mentioned one important case in which one Licensing Board appeared to have been dominated by the representative of the licensees, who seems to have used his power to eject two of his rivals from their shops and to confer the licences upon a discharged departmental peon who was a farm servant under the non-official President of the Board. In the case of this Board too an attempt was made to deprive the ejected licensees of the right of appeal to the Commissioner by postponing

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the date of meeting until a short time prior to the commencement of the lease. This Board, however, appears to have been a particularly bad example and the Commissioner was careful to assure us that its proceedings should not be taken as typical. Nevertheless it points to a possible danger in the working of such Boards. The only other criticism of the working of the Boards which came to our notice was the lack of interest displayed by members: for many of the meetings have had to be postponed for want of a quorum. This may of course be due to the fact that the Boards have not yet been exercising the power of selecting licensees, a power which was given to them with the specific object of removing that lack of interest which has often been urged as a disadvantage of the advisory committees.

3. This concludes our report on the working of the surcharge system in Bengal and the United Provinces and of the Licensing Boards in the latter province. We regret we have not been able to arrive at an agreement with regard to the rationing system in Bombay. Separate minutes are therefore appended dealing with it. We now conclude our joint report with an expression of our indebtedness to the officers of the provinces we visited for the time they spent in instructing us on the working of their systems. We desire especially to acknowledge our gratitude to Mr. T. Gibb, Acting Excise Commissioner of the United Provinces, and to Rai Bahadur S. K. Raha, Deputy Commissioner of Excise, Bengal, for the invaluable help they gave us.

11th November 1922. D. N. STRATHIE.

11th November 1922. R. K. SHANMUKHAM CHETTIYAR.

### RATIONING SYSTEM IN BOMBAY.

*Minute by Mr. D. N. Strathie, I.C.S.*

The essential feature of the rationing system as adopted in Bombay with effect from 1st April 1922 is that the monthly issues of country spirit from the distilleries to each shop is limited to a fixed maximum quantity. This quantity is based on the issues to the shop in the corresponding month of 1920-21. (1921-22 was excluded as it was an abnormal year owing to the picketting.) From the recorded consumption in 1920-21 ten per cent is deducted in Bombay Town and five per cent elsewhere. To provide for unforeseen shortage, Collectors are authorized to allow a deviation from the monthly ration in very exceptional circumstances only, provided the ration for the whole period is not exceeded.



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2. The rationing system was introduced in order to meet the popular demand for a forward policy in temperance matters. Its object is clear, viz., to put a rigid limit to consumption and to bring about total prohibition within a definite period.

3. Now examined first from the theoretical point of view, the system must to anybody acquainted with the working of liquor shops appear radically unsound. Granted that there is such a thing as a legitimate demand for liquor, any excise officer will know that the sales in one month in a particular shop are no reliable guide to the probable sales in the same month in a succeeding year. Consumption in a shop varies with a thousand factors, the state of the season, the occurrence of deaths, marriages, fairs and festivals, the demand for labour, the growth of population, the prevalence of fever or other ailments and even with the personality of the seller. If the influence of some of the factors acts in a shop in a particular month one year and not in the same month in the standard year, on which consumption is based, the supplies of liquor in that shop will in that month be insufficient for the ordinary legitimate demand. It will therefore have to shut its doors for part of the months for the shopkeeper will not always be able to put a gradual restriction on his sales by raising his prices. He will not be able to foretell deaths, marriages and fevers. It may be contended that periods will also occur when the ration is excessive and that the shopkeeper can then conserve his stock to meet times when there is a large demand. But, liquor shopkeepers never have much storage accommodation in their shops, they are afraid to keep large stocks. They will not trust to selling in the future and will certainly in general dispose of whatever stocks they can sell. Assuming then the existence of a legitimate demand, the rationing system only means that the supplies at some periods are more than is needed to meet that demand and that at other periods they are insufficient. The check on supplies is not exercised gradually and by a steady pressure of taxation as it is under the Madras system but arbitrarily and abruptly. Instead of the would-be drinker gradually reducing his consumption as he finds it beyond his means and eventually giving up drink entirely, he finds supplies abundant at one moment and at the next cut off entirely. Surely the results can only be that he will drink more in the early part of the month in the fear that a time will come when he cannot drink at all and that when that time comes he, being suddenly deprived of the drink he desires, will immediately resort to illicit liquor.

4. But it may be argued that there is no such thing as legitimate demand, that Government must enforce some reduction in consumption and that the rationing system is a sure method of seeing

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that consumption is gradually reduced. Granted that some reduction in consumption must be effected, would it not be better for Government, or some other intelligent agency, to select the times when and the places where consumption is to be reduced, instead of leaving it to blind chance? That is the great objection to the rationing system. There is no reason behind the temporary local prohibition that it enforces. It is based on nothing except a determination to check consumption regardless of consequences. All other temperance measures hitherto proposed have had some justification behind them. Prohibition goes the whole hog and stamps out sale, transport and even possession of all classes of liquors at all times and at all places; local option stamps out sale in the localities in which such prohibition is the people's wish; the Gothenberg system eliminates private profit and thus removes incentive to malpractices and excessive sale, the rationing system on the other hand involves a confession that total prohibition is impossible and in effect says there will be local prohibition at such a time and such a place. But it leaves the time and place to be chosen by accident. It hardly justifies the title of system at all and seems to be merely a political expedient disguised as a temperance measure.

5. The results of rationing in Bombay bear out the above conclusions. It is true that licit consumption has decreased. Indeed so far the licit consumption in the current year is actually less than in the previous year, when picketting and other objectionable restrictions on sale were rife. The reason is that owing to the changes in demand already referred to some shops are not consuming their full ration, while others are unable to meet the demand. Attempts are being made by the Bombay Excise Department to get over the resulting difficulties and to modify the original orders. Thus the ration of a shop was originally fixed on the issues to the shops. It has recently been ordered that the stock in hand at the beginning of April 1920 may be taken into account. Again, it has been found that the year 1920-21, on which the ration was based, was by no means a normal one. In that year the supplies to shops were interfered with, partly by the failure of the mhowra crop, transport difficulties and changes in distilleries. Supplies to shops were therefore irregular and give no indication of normal consumption. This difficulty of course would not have occurred had the average of a series of years been adopted as the basis instead of one particular year and this will probably be done for the next lease and may result in a substantial increase in the ration. Further, in order to meet the constant difficulties through temporary shortage, the Bombay Government have in their Resolution, No. 5782, dated 22nd August 1922, issued orders that Collectors are to give a



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liberal interpretation to the rules allowing deviation from the monthly rations, i.e., Collectors are now permitted to issue excess supplies fairly freely, subject to the old condition that the annual ration is not to be exceeded. The difficulty will obviously become acute as the year draws to a close. It is easy enough now to grant increased ration in the hope that the demand will slacken off at the end, but the probability is that the demand will not slacken and that in the closing months of the year Collectors will be faced with a rude clamour for more liquor and no supplies with which to meet it. Indeed this point has already been reached in the case of some shops and Government in their Order No. 5498, dated 31st July 1922, have already permitted the transfer of one shop's ration to another, provided always that the district ration is not exceeded. Such cases are, we were told, becoming more frequent and are a clear indication of the impracticability of the rationing system.

6. Apart from these mere administrative difficulties, rationing in Bombay has had the following direct results:—

(1) There are clear indications of an increase in illicit practices. In the last three months there have been 100 cases in one district in places where illicit distillation was formerly unknown. The recent raid which led to the discovery of the presence of illicit stills in 11 houses out of 18 was made in a village in which there were two shops and is attributed entirely to the restriction of supplies brought about by rationing. In the first six months of the current year 522 illicit distillation cases have been detected in the Central Division, against 606 in the twelve months of 1920-21 and 376 in the whole of 1921-22.

(2) There has been a noticeable increase in the consumption of foreign liquor. In Bombay there is not a great difference now between the prices of equal quantities of strong country spirit and of the cheap brands of foreign liquor and all observers agree that people are resorting more freely to foreign liquor shops. The actual recorded figures of sales are:—

| April and September. | Beer.   | Wines. | Spirits. |
|----------------------|---------|--------|----------|
| 1921                 | 101,607 | 14,728 | 66,656   |
| 1922                 | 104,734 | 16,035 | 82,048   |

The consumption is however said to be higher than the recorded figures represent, for the retailers of foreign liquor are concealing their sales to prevent the levy of higher fees.

7. My conclusion is that rationing is unsound in theory and that it is already becoming unworkable in practice in Bombay. I have no hesitation in holding that it will never be carried out to its logical conclusion, that it does nothing to solve the temperance

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problem and brings prohibition no nearer. I strongly advise against the introduction of such a fantastic and impracticable system in this province.

D. N. STRATHIE.

## RATIONING SYSTEM IN BOMBAY.

*Minute by Mr. R. K. Shanmukham Chettiayr.*

I regret I have not been able to agree with my colleague, Mr. Strathie, in his views on the Rationing System in Bombay. I have, therefore, appended a separate minute in which I have expressed my view on the working of the system in Bombay.

2. With effect from the 1st April 1922 the Government of Bombay have introduced certain substantial changes in their excise administration, the chief of which relevant to the purpose of our inquiry are (1) a reduction in the strength of country spirits and (2) rationing of country liquor shops.

3. The strength of country spirit in Bombay was 30° under-proof until 1st April 1922. With effect from the 1st April of this year the strength of 30° under-proof country spirits was reduced to 40° under-proof except in certain areas and in shops bordering on Native States.

4. Under the rationing system the quantity of country spirit which each shop is to draw from the warehouse or distillery is fixed by Government. The quantity of liquor allowed to each shop is arrived at as follows:—The year 1920–21 is taken as a normal year in the consumption of country spirits and all the shops are valued on the basis of consumption for that year. From that consumption reduced to proof gallons, ten per cent is deducted in the cases of shops in Bombay city and five per cent for shops in other areas to arrive at the ration for the current year. And it is proposed that in each succeeding year the ration allowed to each shop will be ten per cent or five per cent less than the quantity allowed in the next preceding year. The obvious result of such a system will, therefore, be to bring about a complete prohibition of country liquor within ten years or five years as the case may be. The maximum quantity of ration that each shop will thus be entitled to draw in each month of the year is published at the time of auction, so that the bidders may know exactly what quantity they will be entitled to sell in each shop. The quota which each shop is entitled to draw from the warehouse or distillery is fixed monthly and it is the amount (in proof gallons) supplied to that shop in the corresponding period of 1920–21 as shown in the warehouse or distillery accounts *minus* ten or five per cent, as mentioned above. In areas where there are



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country spirit warehouses, weekly supplies are given to the shops and in the other places the supply is monthly. The licensees are allowed to vary their weekly demand according to their requirements, provided the monthly ration is not exceeded. In order to provide for an unforeseen shortage, Collectors are authorized to allow a deviation from the monthly ration in *very exceptional circumstances only*; provided the ration for the whole period is not exceeded. It will thus be seen that for the purpose of fixing the ration, each shop is taken as a unit and the ration is fixed on the basis of consumption in that shop independent of the quantity of liquor consumed in the locality.

5. *Working of the system—Practical difficulties.*—This new experiment of rationing has been in force in Bombay for only seven months beginning from the 1st April 1922 and this fact has to be borne in mind in arriving at any definite conclusions as to the merits and demerits of the system. The period of its working has not been sufficiently long to warrant the pronouncement of any judgment with absolute certainty as to whether the system is an unqualified success or failure. But there are certain outstanding features of the system both in its principle and its working from which fairly definite conclusions may be drawn.

6. *Difficulties.*—The chief difficulties which the rationing system has given rise to so far may be classified under three heads—

- (1) the inadequacy of the ration in certain shops and its superfluity in others,
- (2) increase in the sale of foreign liquor, and
- (3) illicit practices.

An attempt will now be made to examine the nature of these difficulties. Apart from these specific difficulties there are also certain other incidental difficulties about which mention will be made later on.

7. *Inadequacy and superfluity.*—During our inquiry we found that the main difficulty in the working of the system was that certain shops has sold out their ration before the expiry of the month while in certain other shops the whole ration had not been sold. In two of the shops that we visited in the Bombay City, we found that the shop-keepers had no liquor left during the last week of certain months and even in the previous week when the ration was running short, the shop-keeper was said to have closed his shop at 6–30 p.m. instead of 9–30 p.m. In certain other shops we found a considerable balance left unsold at the end of the month. This difficulty is attributed to the fact that the basis on which the ration for a particular month is fixed is not a sound one. As was

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pointed above, the ration for a particular month is the quantity supplied to that shop in the corresponding month of 1920-21, *minus* 10 or 5 per cent as the case may be. It is contended by the officials, whom we interviewed that the demands at various shops vary greatly owing to temporary shifting of population or similar causes, so that some shops are not using their whole ration, while at others the demand is much greater than the ration. It is also urged that the consumption in a shop during a particular month in one year cannot be a sound basis to determine the possible quantity required in the corresponding month of another year for the reason that the consumption depends upon such varying factors as marriages, births, deaths and festivals which do not always fall in the same months and dates of each year.

8. While it cannot be denied that there is a very great force in the argument set forth above, it seems to me that one of the main factors which has contributed to the creation of the difficulty is the basis on which the ration was arrived at. In fixing the ration for a particular month, the *quantity* issued from the warehouse or distillery in the corresponding month of 1920-21 was taken into account and not the actual *quantity consumed* in that month. I am inclined to think that if the ration was based on the quantity consumed in the particular month, a great deal of the difficulty that the system had given rise to might have been obviated. To take an illustration: If a licensee had a balance of 100 gallons on hand on the 1st April 1920, it is likely that he might not have drawn a fresh supply of liquor from the warehouse in that month in 1920-21. So his ration for April 1922 would be nil. But if he happens to have a very small stock, say 20 gallons as the opening balance in April 1922 he would naturally want more liquor in that month and he cannot have it. The meagre stock is sold out before the expiry of the month and he is obliged to close his shop for some days and applies to the Collector for an increase of the ration. If on the other hand the ration is fixed on the basis of the actual quantity consumed in April 1920, i.e., 100 gallons, he would be entitled to draw in April 1922, 90 or 95 gallons as the case may be and the complaint about insufficiency of the ration would disappear to a great extent. So it appears to me that the main difficulty that the system has given rise to would have been considerably minimised if the actual *quantities consumed* in the months of 1920-21 had been adopted as the basis for determining the ration in the corresponding months of 1922-23. This would be an easy matter, if as is being done at Madras, records are kept of the monthly consumption in every shop.

9. Apart from this initial mistake that was committed in determining the ration, there is another factor which seems to have



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contributed in no small degree to the creation of the difficulty about the inequality of the ration. The year 1920-21 was adopted as the basis for calculation on the ground that it was a normal year in the consumption of liquor. The year 1921-22 was the year in which the picketting activities of the non-co-operators were at their height, and therefore could not indicate the normal demand. So the year 1920-21 was taken as a fairly normal one. But from the information given to us, it appears that 1920-21 was no means a normal year. For we were informed that in that year the supply of liquor was insufficient and irregular owing to the reorganization of the distilleries undertaken by the Bombay Government and also on account of the fact that the distillery at Nasik which was expected to meet a great part of the demand was not ready till about the end of that year. The result of this inadequate and irregular supply was that the shopkeeper who had ready cash got large stocks and kept them in reserve, while the man who had not the cash at the proper time did not get enough to meet the demand of his shop. This factor would explain the fact that the quantity of liquor drawn by a particular shopkeeper in a particular month in the year 1920-21 offers no indication of the actual demand of that shop in that particular month. So if the year in which conditions were normal or the average of a number of years had been taken as the basis the difficulties might not have arisen.

10. It was pointed out to us that one effect of this insufficiency in the monthly ration was that the shopkeeper who had only a small quantity left at the end of the month puts the prices up. In two of the shops that we visited in the Bombay city in which the ration was insufficient during some months, we inquired whether the retail selling price was raised and the answer was in the negative. Perhaps the shopkeepers were not ready to take us into their confidence. But even if the price was actually raised it is a result which the temperance reformer would welcome as an important factor in putting a check on consumption.

11. To obviate this difficulty that has thus arisen in working the new system, it has been suggested by the Collectors of certain divisions that in fixing the ration the district might be taken as a unit instead of individual shops. It is suggested that in such a case the Collector will have the discretion to divert the supply of liquor from shops where they are in excess of the demand to the shops where it is inadequate. But it is obvious that such a system is unsound in principle and unworkable in practice. The result of adopting the suggestion might be to increase drunkenness in particular localities of a district and to induce the shopkeepers to bribe the subordinate excise officials in order to obtain a greater supply.

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In practice it would be unworkable because it would not be possible for the bidder in an auction to bid for a particular shop if the supply of liquor that he cannot get for his shop is an uncertain quantity liable to extreme variation at the option of the excise officials. There is therefore no doubt that in fixing the ration individual shops must be taken as the unit.

12. Collectors being authorized to allow deviation from the monthly ration only in *very* exceptional circumstances, many of them are sending representations to the Commissioner about the rigidity of the system and the Collector of West Kandesh in his letter to the Commissioner (No. X.A.D. 102, dated 25th July 1922) points out the practical difficulties and solicited orders on the following points:—

“(a) whether under these circumstances monthly ration may be exceeded not exceptionally but generally,

(b) whether unused balance of previous months should be allowed to a licensee in excess of his monthly ration as a matter of right,

(c) whether the licensee may be allowed to take more ration from the balance of future months as a matter of grace.

In all these three cases, of course, the total ration for the year is never to be exceeded.”

13. In commenting on these proposals, the Commissioner of Customs, Salt and Excise (in his memorandum No. 58/20, dated 3rd August 1922) observes that “the case of West Kandesh is not exceptional but typical. The same difficulty exists everywhere and the Commissioner has come to the conclusion that the rationing rule requires modification.” Accordingly he recommended that the rationing rule may be amended so as to stand as follows:—

“All the shops will be rationed on the basis of the sales of 1920–21 (or if that year was abnormal, of the nearest previous normal year). The annual quota for each shop will be the amount (in proof gallons) supplied to that shop in the year taken as basis, as shown in the warehouse or distillery accounts, reduced by 10 per cent in Bombay and 5 per cent elsewhere. Licensees may vary their weekly or monthly supplies according to requirements as long as not more than one-sixth of the annual quota is supplied in any one month.

“The Collector is authorized to increase the monthly supply to meet the exceptional circumstances provided the annual quota is not exceeded, but to decrease it if there is a danger of the annual quota being exhausted before the last month of the year. He is also authorized to transfer with the consent of both the licensees the unexpended quota of one shop to any other shop in the district.”



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14. The modifications suggested by the Commissioner will minimise many of the difficulties so far felt and make the system more elastic. Especially the first part of his recommendation removes what cannot but be considered as the fundamental mistakes of the system, i.e., the failure to take the *sales* in each of the months of 1920-21 as the basis of the ration, and also the failure to see whether the year taken as the basis was a normal year. Most of the difficulties so far experienced in the actual working of the system may disappear to a very great extent if the Commissioner's suggested alterations in the rationing rules are adopted. But the Bombay Government, prompted no doubt by the desire to give the existing system a fair trial before further changes are introduced, have declined to act on the Commissioner's suggestion for the present. Their decision is contained in their Resolution No. 5782, Revenue, dated 22nd August 1922, which runs as follows:—

“The Commissioner of Customs, Salt and Excise should be informed that the Government prefer to give the present system a trial during the current licensing period which will expire on 31st December 1922, and introduce changes if necessary, from the next. Collectors of the districts have already the authority to allow a deviation from the monthly ration, and if they are instructed to interpret the rules liberally, there should be no hardship.”

15. *Increase in the sale of foreign liquor.*—The second great defect in the working of the rationing system is the increase in the consumption of foreign spirit consequent on the restricted supply of country spirits. While Government attempt to ration the supply of country spirits the supply of foreign liquor remains unrestricted. The natural consequence of such a state of affairs would be to drive people to foreign liquor when the supply of country spirit is exhausted. This would be all the more so now that there is not very great disparity between the price of equal quantities of strong country spirits and of the cheap brands of foreign spirits. If the rationing of country spirit shops is to be a complete success, it is a condition precedent to the attainment of that success that steps should be taken to prevent the diversion of custom to the foreign liquor merchant. The most effective precaution in this direction would be to raise the duty on foreign liquor with the object of placing the foreign spirit beyond the reach of the poorer classes and to place some restriction on the supply of foreign liquor as well. Local Governments cannot ration the foreign liquor shops as they do not control the supply of imported liquors and to restrict the supply of foreign liquor of Indian manufacture would mean handicapping an Indian product against its foreign competitors. It would at once be proclaimed that these are matters under the control

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of the Imperial Government. It would be well to point out therein unambiguous words that if all these years the well intentioned measures of Local Governments for promoting temperance have not met with that they would otherwise have attained, it is because of the fact that foreign liquor was held sacrosanct and has been beyond the orbit of any sort of restriction. Without dilating on this obvious point, it might at once be observed that if one of the evil results of the rationing system is to increase the consumption of foreign liquor, it is not because of any inherent defect in the rationing system, but because of the fallacious and futile policy of attempting to restrict the consumption of one particular variety of the same commodity to go about unrestricted and uncontrolled.

16. Though the Local Government does not control the sources of supply of foreign liquor and therefore cannot ration the same, and though the duty levied on foreign liquor is under the control of the Government of India, yet the Local Government can to some extent control its consumption and place beyond the reach of the poor man at least by increasing the licence fees thereby forcing up the price of foreign spirit. At present the licence tax for 'off' foreign liquor shops is a fixed round sum. In place of this fixed licence tax, it would be advisable to adopt the system of a licence tax chargeable on each item sold. The licence tax may be levied and paid monthly on the quantities sold to the public, at the rates which will be fixed by Government.

17. This system of levying a licence tax on the quantity sold has been adopted in Bengal. Such a system will not only enable Government to have a greater control over the foreign liquor trade, but it will also make it possible to secure accurate figures regarding the foreign liquor consumption within the Presidency and it will also secure a much greater revenue to Government. When the price of foreign liquor is thus forced up, it is possible private consumers may begin to import the liquor directly. To safeguard the revenue and also the trade against this, the Government of Bengal have notified that they are 'pleased to prohibit the import of any foreign liquor into Bengal by any person other than a person duly licensed to sell such liquor to other licensed dealers or to the public, unless the duty imposed on such importation under the Indian Tariff Act, 1894, or the Sea Customs Act, 1878, or the Bengal Excise Act, 1909 (section 27), has been paid, or a bond has been executed for the payment of such duty, and unless the licence tax payable on such articles in Bengal has been paid on such import.'

18. The suggestion that I have made above with regard to the foreign liquor trade is based on the system that has recently been introduced into Bengal. To arrive at a more definite conclusion on



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the point Government must examine the whole question in the light of the legal powers that they have to control the trade. For the foreign liquor trade must be brought under greater control if the temperance measures of Government are to be a success. .

19. *Illicit practices.*—A third disadvantage in the working of the system is the impetus which it might give to illicit practices. Judging from the figures kindly supplied to us by the Deputy Commissioner of the Central Division, Bombay, it is possible that illicit practices have increased after the introduction of the rationing system. In the year 1920-21 the number of offences detected were 606; in 1921-22 it was 376 and for the six months in 1922-23 it had been 522. But it is not possible to arrive at any definite conclusions from these figures. As was expressed by the Commissioner, Mr. Baker, an increase in the number of offences reported might only mean that the Excise officials have been more vigilant. There is a great deal of truth in this remark. But apart from the fact whether the new system has given rise to more cases of illicit practices, it must at once be observed that the question of illicit practices is inseparably connected with all measures of temperance reform and it is not an incident peculiar to the rationing system. In his Memorandum No. 666, dated 13th August 1921, the Commissioner of Sind discussing about the disadvantages of the system refers to that of illicit practices as the least of these disadvantages. Again the Superintendent of Salt and Excise in Sind in his letter to the Commissioner (No. E. 916, dated 30th July 1921) refers to the danger and observes: "I am of opinion that if this were the only objection the experiment should be tried". It would therefore be unfair to condemn the rationing system on the ground that the demand for liquor that cannot be met by the licensed shops will be met from illicit sources—an evil that is inevitable in every measure intended to check consumption. It will be well to emphasize in this connexion that any experiment intended to promote the cause of temperance must necessarily lead to an increase of the preventive staff which means a question of additional expenditure. This aspect of the question is very often ignored and the advocates of temperance must be prepared to face this consequence. Government and the people must be prepared to sacrifice not only the gross revenue by the diminution of consumption, but also a more than proportionate amount of net revenue by the heavier deductions by way of increase in the staff, to which the gross revenue would be subject.

20. A fourth defect which in the opinion of some officials as a result of this system is that it will tend to penalize the moderate drinker and to increase drunkenness amongst those who are already

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addicted to liquor. The drunkard will naturally take more trouble to get liquor than the temperate drinker. And on this assumption it was contended that they will hasten to the shops at the beginning of each rationing period to make sure of obtaining drink ; that they will drink as much as they can get in the fear that they may not get any at the end of the month. They will thus get more drunk than they otherwise would, and as result of this the moderate drinker would get no drink at all. I must confess that it is difficult to controvert such a piece of ingenious reasoning. I can only say that there is more ingenuity than truth in the argument and it will furnish a nice problem for any philosophic mind engaged in analysing the psychology of the drinker.

21. The Government of Bombay are confronted with another difficulty in the working of the rationing system on account of the proximity of Native States. There are populous towns and villages on the border line between Bombay and the adjoining States, and the existence of shops selling an unlimited quantity of liquor on the other side of the border neutralizes the effect of rationing the shops in the British territory. When the ration is exhausted in these shops, the men have only to walk a few yards to get their drink in the shops on the other side. So far none of the States adjoining Bombay have adopted the rationing system. This is a practical difficulty for which the Bombay Government cannot find a solution unless with the willing co-operation of the States. Fortunately for Madras this problem will not present any serious difficulty. For the greater portion of the border line between Madras and the adjoining States is covered by mountainous and very thinly-populated tract of country.

22. *Inherent merits and defects of the system.*—An attempt has been made in the foregoing paragraphs to explain what is meant by the rationing system, the difficulties that have so far been met within its actual working in the Bombay Presidency, some of the causes that have given rise to these difficulties, the remedies suggested in order to minimize them, and the final action of the Bombay Government for the present. An attempt will now be made to indicate the merits and defects inherent in the system as such and the balance of these merits and defects.

23. *Merits.*—The fundamental idea underlying the rationing system is that the consumption of liquor must be brought down by *direct* action on the part of the Government as opposed to the *indirect* methods that have so long been employed. The adoption of this system enables Government to apply a direct check on consumption. Though the declared policy of Government has been



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to keep the level of consumption at a minimum, it had left consumption to regulate itself, subject only to certain indirect checks. The experiments in the reduction of the proof strength of the spirit issued, the restriction in the number of shops, the fixing of the location, the regulation in the hours of sale, the rules as to the classes of persons to whom liquor should not be sold and as to the maximum quantity that can be sold to an individual and the gradual enhancement of the rates of still head-duty—these are the various indirect checks that the Government have so far imposed and which are calculated to bring consumption to its lowest level. It is not necessary to discuss in this place as to how far these methods have succeeded in achieving this object.

24. If the position of Government in relation to the liquor traffic is recognized to be one of the direct responsibility to gradually decrease the consumption of liquor with a view to wipe out the evil altogether, then it becomes necessary to consider seriously whether Government can discharge that responsibility by following the same policy that they had adopted so far. Even though consumption may be held in check by the indirect methods mentioned above and through the steady pressure to taxation, it is doubtful whether the evil can be eradicated by these methods alone. It becomes necessary therefore that a more direct method of gradual limitation is not merely desirable, but indispensable. The rationing system is one of such direct methods.

25. By adopting this system, Government assumes direct responsibility for the actual quantity of spirit consumed and Government will thereby commit themselves to a policy of which the ultimate issue must be total prohibition. The logical result of rationing will be total prohibition within a definite period of time.

26. As a means of attaining the goal of total prohibition, the rationing system has very many distinct advantages. It clears up the position of Government in relation to liquor traffic by definitely committing them to a policy of total prohibition. By attempting to bring about a gradual decrease in the consumption of liquor it gives time for the formation of that strong public opinion which alone is the surest guarantee of the success of any temperance reform; it gives time for the drinking classes to reconcile themselves to the advent of a day when there will be no drink; it will enable the State to adjust its finance without bringing about any catastrophic change in the financial position which will be the inevitable result of attempting to bring about prohibition by a stroke of the pen. Last but not least it brings total prohibition within the realm of practical politics and not merely relegate it to

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the limbo of an unknown future. For the natural consequence of reducing the ration, say, by five per cent every year, is to bring about total prohibition at the expiry of twenty years.

27. Such, in brief, are the inherent advantages of the rationing system. For its introduction in the Madras Presidency it has this additional advantage that it fits into the licence auction system, and therefore can be easily adopted without dislocating the existing machinery. Though some of the Excise officials in Bombay, imbibed with their traditional antagonism to the auction system, are of opinion that with rationing in force it would not be advisable to continue the open auction system of disposal of the licences, I do not see any difficulty in rationing under the auction system. The only objection that they bring forward is that the licensee will increase the retail selling price as the stock becomes exhausted and thereby obtain an extra profit which ought legitimately to go to the State. But if Government are satisfied that they have reached the maximum limit in the rate of still head duty, the adjustment between the price and demand may be left to itself.

28. *Defect.*—The only defect which may be said to be inherent in the rationing system, is the possibility of there being no liquor at all sold in certain shops during certain days of the month. If a shop-keeper exhausts his ration in the first two weeks of the month, he has to keep his shop closed for the following weeks. The most rational way of decreasing consumption is no doubt to regulate it so as to make people drink a little less every day and not to give them as much as they want for a few days and then withhold it altogether for some days. It must be admitted that this is a defect inherent in the rationing system. But no scheme of temperance reform can be devised which will be perfect in every detail and free from all possible defects and difficulties. On the whole, weighing the defects and merits of the rationing system, it may be safely asserted that the balance is in favour of its merits, and I would strongly recommend to Government to give it a trial in the Madras Presidency.

29. The disadvantages and difficulties incidental to this system, though they are important factors to be reckoned with, do not constitute insuperable obstacles to its adoption. The advisability or otherwise of adopting the rationing system depends on the answer to the fundamental question, 'what is the ultimate goal of the excise policy of Government'? The policy, as laid down in the Government of India's letter F.D. 5001 Exc. of 7th December 1905 still continues to be the recognized policy of the Local Government. The substance of that policy is that: "The Government of India have no desire to interfere with the habits of those who use alcohol



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in moderation; this is regarded by them as outside the duty of the Government and it is necessary in their opinion to make due provision for the needs of such persons. Their settled policy, however, is to minimise temptation to those who do not drink, and to discourage excess among those who do, and to the furtherance of this policy all considerations of revenue must be absolutely subordinated. The most effective method of furthering this policy is to make the tax upon liquor as high as it is possible to raise it without stimulating illicit production to a degree which would increase instead of diminish the total consumption and without driving the people to substitute drugs for alcohol or for a more or less harmful form of liquor. Subject to the same considerations, the number of liquor shops should be restricted as far as possible, and their location be periodically subject to strict examination with a view to minimise the temptation to drink and to conform as far as is reasonable to public opinion. It is also important to secure that the liquor which is offered for sale is of good quality and not necessarily injurious to health." This declaration disclaims any intention on the part of Government to eradicate drink altogether. Such a task is declared to be 'outside the duty of Government'. It is not possible to consider here the question as to what is the actual result of this policy as it has been carried out in practice and whether it has put an effective check on intemperance. The advisability of adopting one particular kind of temperance measure rather than another—whether it is to be local option or the surcharge system or the rationing system—will depend upon the nature of the excise policy of Government. The whole question therefore revolves on the fundamental issue whether Government recognize it is their duty to suppress drink altogether, and, if so, whether they are prepared to boldly commit themselves to an *active* temperance policy and not merely rest contented with inaugurating *passive* measures. If the decision is in the affirmative, then Government may decide whether that object can best be achieved by adopting the rationing system through which they can determine periodically the progressively diminishing quantity of liquor which the people will be allowed to drink, and there can be no doubt that all the difficulties and disadvantages above referred to must, as they can, be faced.

30. The foregoing note on the rationing system has been prepared with special reference to the consumption of country spirits and drugs. For the Bombay Government have adopted the system only for these. They are not confronted with the problem of toddy-drinking which is a serious problem in the Madras Presidency. So, if the system is to be adopted in Madras with any measure of success, the toddy shops as well as the country liquor shops must be

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brought under the system. For the principles applicable to the rationing of country liquor shops will apply *mutatis mutandis* to the rationing of toddy shops.

R. K. SHANMUKHAM.

### III

ACT ASSENTED TO BY HIS EXCELLENCY THE GOVERNOR-GENERAL.

The hon. the PRESIDENT announced that the Madras State Aid to Industries Act, 1922, received the assent of His Excellency the Governor-General on the 1st March 1923.

### IV

AMENDMENTS TO STANDING ORDERS.

The hon. Mr. C. P. RAMASWAMI AYYAR :—“ Mr. President, Sir, I beg to present the report of the Select Committee appointed, at the meetings of the Council held on the 30th January and 26th February 1923, to consider certain amendments proposed to the Standing Orders. I beg, with your leave, to move that the consideration of the clauses as amended be taken up.”

The hon. Mr. A. R. KNAPP seconded the motion.

The motion was put and carried.

The hon. Mr. C. P. RAMASWAMI AYYAR :—“ Mr. President, Sir, the first of the amendments which has to be considered is :

*After existing Standing Order 79, insert the following as 'Standing Order 79-A :*

‘ The President may, by order in writing, delegate to the Deputy President all or any of his powers under the Standing Orders ’.

Sir, as will be apparent from the report of the Committee, the Committee considered that, on the whole, it would be advisable to follow the example of the Legislative Assembly in this respect ; and in response to a fairly widely expressed request that such delegation should be provided for, it has been recommended that the delegation should take place. I move, Sir, that the above amendment be adopted.”

The hon. Mr. A. R. KNAPP seconded the motion.

The motion was put and carried.

The hon. Mr. C. P. RAMASWAMI AYYAR :—“ Mr. President, Sir, the next series of amendments relate to Standing Order 5 (2). It will be within the memory of hon. Members of this House that a number of complaints have been preferred as to the question of the relative precedence of Bills and Resolutions, and in order to set at rest all doubts on that matter, it has been suggested that there should be no mingling up of Bills and Resolutions, but that they should be balloted for separately. That is the object of the first of the series of amendments. I submit, Mr. President, that it will be convenient to put these amendments separately, and, with your leave, I move the first sub-clause, namely :

‘ The relative precedence of notices of Bills and of Resolutions given by non-official members shall be determined by ballot ’.

The hon. Mr. A. R. KNAPP seconded the motion.

The motion was put and carried.